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A MANUAL OF BOOKKEEPING FOR TREASURERS OF FOREIGN MISSIONS

By

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A MANUAL OF BOOKKEEPING

For Treasurers of Foreign Missions

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Preface

This brief "Manual of Book-keeping for Treasurers of Foreign Missions" has been prepared in response to a need apparent in the work of the Woman's Foreign Missionary Society of the Methodist Episcopal Church for a simple statement of accounting principles and practice which it shall be possible for a busy missionary in her scant leisure to master, and which shall prevent the errors which so often occur when the books of a mission are unscientifically kept. The manual makes no pretense to being exhaustive, but it seems, to the author, at least suggestive of most of the types of accounting problems which are likely to confront the mission treasurer.

To be most useful, the book should be thoroughly and systematically studied, and the fundamental principles of which it treats should be applied carefully to the special problems which confront each individual in her own work. The treasurer will be greatly assisted in grasping the full meaning of the instructions given if, after ruling for herself pages corresponding in their lining with the cash book pages shown on 11 and 12, and other pages corresponding to the ledger acccounts (of which several illustrations are given in the manual), she will work out in detail, on these practice sheets, the transactions noted in the model system on pages 7ff. After she has made the entries as directed in the cash book, and has posted them to the ledger, she should take her own trial balance and then compare it with the trial balance shown on page 16, to see whether she has correctly understood and recorded the given transactions.

In any case where the treasurer on the field desires further advice or suggestion in regard to book-keeping problems, it will be a great pleasure to the author of this manual to render such assistance as it is in her power to give.

F. H.

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A MANUAL OF BOOKKEEPING FOR TREASURERS OF FOREIGN MISSIONS

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The fundamental principles which underlie double-entry book-keeping are two: First—The keeping of books is *a translation* into terms of accounting of actual transactions in the receipt and payment of cash or in the transfer of value in some other forms, such as securities, notes, services, etc. Second—For every credit entry made on the ledger a corresponding debit entry must be made in that book, and vice versa. (The term ledger as used in this statement includes the cash book, for the former, as will be explained later, theoretically contains the cash account which is kept in a separate book simply for convenience.)

Applying the first principle to a concrete case, we discover that a book-keeping entry is simply a *complete* and *correct* statement in acounting terms of the facts, for example, that on January 1, 1913, you received $300, and on January 3, 1913, spent $100 of it; that on May 10, 1912, you received from the home treasury $1000, and on May 12, 1912, paid out $500 of it for missionaries' salaries.

But in order to make these accounting statements,—in other words, to translate correctly,—one must acquire a vocabulary. At this point students of book-keeping most often fail. Fully grasp the meaning of the terms of accounting, such as debit, credit, account, cash book, journal, ledger, deposit book, check book, and you are well on the way to a complete mastery of the subject.

What does the word *debit* mean? Simply "that which is charged or owed." For example, when I receive cash, I debit my cash account with the amount received, because I, in a sense, become responsible for the disposition of all money received and hence find it a charge or debit against me. Similarly *to credit* means to make in the books of account such an entry as will show how that value which has previously been received or debited has been expended or disposed of. Thus, when I pay out money, I credit my cash account with the amount expended, really as a memorandum to show what use I have made of cash put into my hands.

The term *account* has, in book-keeping usage, the simple and somewhat restricted meaning of "a statement of relative values." In other words, an account is a translation into terms of debit and credit of a series of exchanges of value, such as a *cash account,* which records the receipt and payment of cash, showing the relation between the amounts received and the amounts paid out; or a *building account,* which shows the receipts for and payments on account of the erection of a building.

The *cash book* is the book in which the cash account is kept. Logically, such an account is a ledger account, just as, for example, building or salaries accounts are, but because cash entries are numerous and it is convenient to have a little more open ruling of the pages than is usual in ledgers, the cash account is kept in a separate book. This book records *only* cash transactions.

In such accounting as a foreign mission treasurer has to do, it is entirely possible to keep only a cash book or a day book—a single-entry system for the record of transactions. But for the sake of the check given to the accuracy of the work by the double-entry system, and in order to classify under proper account headings the many transactions which are recorded in the cash book day by day, a wise treasurer will use the double-entry system, and so will keep, in addition to her cash book, a *ledger.* The ledger is really a summary book, in which are classified properly the transactions recorded chronologically in the cash book and journal (to be described later). For every credit entry made in the cash account a debit entry must be made in some account in the ledger, and vice versa. To illustrate, let us suppose that the treasurer pays salaries of missionaries as follows: January 1—$100 to Miss A; February 12—$50 to Miss B; April 1—$100 to Miss A; July 1—$125 to Miss B; October 1—$125 to Miss A. If the treasurer who does not keep a ledger wishes at any time during the year to ascertain how much Miss A or Miss B has been paid up to date, she must go over every credit entry on the cash book from January 1st on, in order to obtain the separate items, which must then be added together. This is an inconvenient method, liable to error and omission.

But, if the treasurer keeps a ledger, the summary has been built up gradually in an account in the ledger known as "Missionaries' Salaries Account." The process by which the items recorded in the cash book and journal are recorded also in the ledger accounts is known as *posting.* The items are entered in the cash book not simply as so much cash received or paid out, but each with its proper title attached, the title being written in the column of the cash book page immediately following the date column, and the explanation

of the item following in a second column to the right of the title column. For example:

Title Column.	*Explanation Column.*
"Missionaries' Salaries Account."	Paid to Miss A.....$100

Each payment on salaries account is first credited to the cash account and then salaries account itself is debited with a like amount. The application of principle two, stated on page one, is here seen. Missionaries' Salaries Account, in the example above, will on October 1 appear as follows:

MISSIONARIES SALARIES ACCOUNT

Debit				*Credit*			
1912							
Jan. 1	To Miss A	C1	100 00	On this side of the account should be recorded money received from U. S. A. for missionaries salaries, as will be explained later.			
Feb. 12	To Miss B	C3	50 00				
Apr. 1	To Miss A	C7	100 00				
July 1	To Miss B	C9	125 00				
Oct. 1	To Miss A	C11	125 00				

From such an account as this, I can at any time tell at a glance just how much has been paid to either Miss A or Miss B and when each amount was paid.

Take another example: On January 1st the treasurer receives $10,500, of which $5000 is to be used for erection of a certain building, $2500 for salaries, and $3000 for general expenses. These items are, of course, charged to cash under the account titles: Building Account, Salaries Account, General Expense Account, such explanation being made in the remarks or explanation column of the cash book as is necessary to show whence the money came and any other facts of importance connected with each item. The first item is posted to a building account in the ledger, being, of course, credited to the account (Principle II); the second item is credited to Salaries Account; the third to General Expense Account, so that at any time the treasurer may know just how much money has been received for any of these objects. If, further, on January 10th, she pays out $2500 for the building, $1000 for salaries, $1250 for general expenses, she must credit each of these expenditures to cash, and, in posting, charge or debit Building Account in the ledger with $2500, Salaries Account with $1000, General Expense Account with $1250, because, while she has by her entry crediting cash accounted for the use of $3750 of the $10,500 received on January 1, she has correspondingly created a charge against the balance on hand

for buildings, salaries and general expense. The building account will now appear thus:

BUILDING AT B

Debit						*Credit*					
1912						1912					
Jan 10.	Paid on acct. of cost of erection.....	C3	2500	00		Jan. 1	From Branch C.....	C2	5000	00	

This account, in ordinary English, means that on January 1, 1912, Branch C in America sent to the treasurer $5000 for a building at B, and that on January 10, 1912, the treasurer paid $2500 on account of the cost of erection of this building, leaving still available for the building the difference between the credits and the debits, namely, $2500. The account shows, further, by the "C-2" that the receipt of the money is recorded on page 2 of the cash book and by "C-3" that its expenditure is recorded on page 3 of the cash book. These indexing letters and figures are important and should never be omitted, for they save much time in tracing old entries from ledger to cash book, and vice versa. The page of the ledger on which the building account stands will be similarly recorded in a special column of the cash book, alongside the items showing the receipt or payment of cash for that account. (See seventh entry, page 11.)

The *journal* is a book for which the mission treasurer will have only occasional use, but there are a few cases, like the one described below, where she will find it valuable. Suppose Branch B sends $500 for a building. The treasurer duly charges cash account and credits building account with $500. Later, however, Branch B writes that this money was erroneously designated and was meant for salaries, not for the building. The correcting of this error involves no new transfer of cash, but simply a transfer of credits from Building Account in the ledger to Salaries Account in the ledger. The treasurer, therefore, makes no new entry in her cash book, but in the book called the journal writes the following:

Ledger Folio	*January* 15, 1912.		
362	Building Acc't.....(Dr.)	$500	
78	To Salaries Acc't.....(Cr.)		$500
	Remittance of Branch B, received January 1, 1912, and credited to Building Account, now transferred to Salaries Account, per instructions from Branch B.		

It will be seen at once that such an entry is in no sense an account, but simply a written direction to the book-keeper to charge $500 to Building Account in her ledger and to credit $500 to Salaries Account. The posting of these entries to the ledger will at once correct the error made by Branch B, for the $500 debit to Building Account will neutralize the $500 credit of January 1st and the $500 credit to Salaries Account will increase the amount available in that account as it should be increased. The journal column headed "Ledger Folio" is an important one, for it shows on what pages in the ledger the entries have been made,—in this case Building Account being on "folio" or page 362 and Salaries Account on page 78. In the ledger accounts, in the index column, "J-1" should be written after each of these entries, to show that they are posted from page 1 of the journal.

In the same way the treasurer will find the journal useful in case she has, by her own error, posted items to wrong accounts. The transfer should always be made through the journal, rather than by erasing or scratching the ledger entries.

It should be noted that in posting from the cash book an entry is made for each item in only *one* account in the ledger, because the Cash Account is really one of the accounts of the double-entry system, but that in posting from the journal two entries must be made, one in each of two ledger accounts. It is also to be noted that the sum of all the debits in the journal must always equal the sum of all the credits in the journal.

The deposit book, often called the bank book or the pass book, is the account of a bank with its depositor and shows how much he has deposited, how much he has withdrawn and how much still stands to his credit with the bank. For example, on January 1st a treasurer deposits $500 with the Hong Kong Shanghai Banking Corporation. The bank enters this amount on the debit side (left-hand page) of its account with the treasurer, as contained in the pass book, thus showing that it charges itself with $500, payable by it to the treasurer. *The check book* contains the blank checks which when properly filled out and signed by the depositor constitute an order on the bank to pay from the treasurer's funds held by it an amount equal to that called for by the check. Each check issued is, when received by the bank, credited by the bank to itself, as an offset to the charges or debits made against it by the treasurer's deposits. The difference between the total of deposits and the total of checks issued constitutes *the balance in bank,* and should at all times correspond with the difference between debits and credits in the treasurer's cash book. Yet it will at once be evident that there cannot as a rule be exact correspondence at this point between the bank's account as shown by the balance on the pass book and the treasurer's own account as shown by the balance on the

cash book, because it frequently occurs that checks issued and hence credited on the cash book had not been presented to the bank at the time the pass book was balanced. In such a case, the balance shown by the bank book should be greater than that shown by the cash book by just exactly the sum of all checks issued but not yet presented to the bank.

To take a concrete case: Up to June 30, 1912, I have made deposits in bank aggregating $10,000, against which I have issued checks amounting to $6,000. My cash book, therefore, shows a balance of $4000. On June 30, 1912, my bank book is balanced and shows that the bank charges itself with a balance, not of $4000, but of $4800, as belonging to me. How shall I reconcile these two balances? Most American banks return to the depositor all checks of his which have been presented to and paid by the bank. Where this is not done, as often in foreign banks, the bank makes, on the credit side of the pass book, a memorandum, by check numbers and amounts, of all checks so received. By comparing the cancelled checks or this memorandum, as the case may be, with the numbered check stubs in my check book, I find—in the case cited above—that my checks numbered, say, 47, 60 and 63, have not been returned. I learn from my check book stubs (which I had carefully dated, numbered and filled in with the amount of the check and the name of the payee, before issuing the attached check) that the total of these three checks is exactly $800, the difference between the cash balance as shown by the bank and by my cash book. Thus the two accounts are, to use the technical term, "reconciled," and the correctness of both is established.

There is no more necessary warning to be given to the book-keeper than at this point. *Never* fail to reconcile your cash book and your bank book at each balancing of the latter. Have your bank book balanced monthly and never let a discrepancy, however small, between your balance and the bank's pass unaccounted for. Further, at all times be certain that the balance of cash shown by your cash book and by your check book stubs exactly agree. The observance of these simple precautions will save you most of the trials of "books that will not come right."

(Note: It will sometimes happen that, between the date on which the bank book was balanced and the date on which the treasurer attempts to reconcile the bank balance with her cash book balance, one or more deposits may have been made. These will, of course, increase the balance shown by the cash book and make it necessary to subtract from the cash book balance the total of all deposits made after the date of balancing, in order to reconcile the bank book and cash book balances as of that date.)

Thus far we have been considering general principles of book-keeping and acquiring a vocabulary of the terms of accounting. Let us now proceed to apply what we have learned to a simple system of book-keeping, especially suited to the needs of a mission treasurer. Of course, there is an infinite variety of systems which might be used, a very great number of different ways in which accounts might be named and divided. The system which we will here study is, therefore, not final, but rather suggestive of methods which may be wisely employed by treasurers of missions, but which must, of necessity, be somewhat varied by each one in order to meet the peculiar needs of her own work.

The question of foreign exchange is not considered in this system because the practices and standards vary so greatly in the different mission fields as to render a general treatment of the subject impracticable and probably confusing. This much, however, may be said: The accounts should be kept in the currency of the country in which the mission is situated, care being taken in every instance to indicate the original amount in United States gold, either in a special money column in the cash book, headed "U. S. Gold," or else in the remarks column of the cash book along with the explanation of the source from which each item comes. This memorandum of exchange rates will be of great value to the treasurer when she comes to make up her reports for the authorities at home.

The books to be used in the system we are to consider are the following:

1. Check Book (Supplied by the bank).
2. Bank Pass Book (Supplied by the bank).
3. Cash Book, with the left-hand page for debit entries and the right-hand page for credit entries. Avoid cash books where debit and credit entries are made in parallel columns on the same page. If you are compelled to use one, always be sure that debit entries are made in the left-hand column, and credit entries in the right. A cash book of 150 pages, 8x13½ inches, will probably last two or three years, and is of a convenient size and weight.
4. A Ledger (About 300 pages, 8x13½ inches).
5. A Journal (A small book, with a page 7½x9 inches—ruled with double money columns—will do very well. The entries will not be numerous).

In purchasing these books get strong bindings and good paper which will take ink clearly. First-class books will be comparatively expensive, but it pays to buy them.

Let us suppose that remittances are received quarterly from Branches A, B and C in America; that from local sources varying amounts are received in gifts; that a Government

grant has been made for one of the mission buildings and is to be paid during the period we are considering, the Government grant being $3000 and the total amount to be provided by the home authorities $10,000, of which one-fourth is sent during the first quarter of the year; that the treasurer pays salaries ($600 per year each) to Missionaries X, Y and Z; to Bible Women U, V and W ($50 per year each); that she also pays toward the expenses of two schools at the rate of $200 each and toward the expenses of a hospital $250, while her incidental expenses as treasurer are about $50 per year.

Let us suppose, further, that the actual transactions occur on dates and in amounts indicated in the following list:

January 1.—The treasurer receives the following amounts:
From Branch A, $1500, to be used for one quarter's salary for Misses X and Y; one quarter's salary for Bible Woman U; $25 a/c School No. I; $20 a/c School No. II; $2.50 a/c expenses of treasurer; $1140 a/c cost of erection of new building.
From Branch B, $1225, to be used for one quarter's salary for Miss Z, one quarter's salary for Bible Women V and W; $25 a/c School No. I; $25 a/c School No. II; $50 a/c Hospital; $950 a/c building.
From Branch C, $437.50, to be used $5 % School No. 11; $10 % Treasurer's expenses; $12.50 % Hospital; $410 % building.

January 2.—The treasurer pays all salaries for the quarter and school and hospital appropriations.

January 20.—The treasurer expends $3 for postage; $1000 a/c building.

February 26.—The treasurer expends $1200 a/c building; $2 for incidentals.

March 25.—She receives from local sources $50 for the hospital; from the Government $3000 grant for the new building.

March 30.—She expends $250 absolutely needed to re-roof an old building damaged by a storm, for which contingency no appropriation has been made by the branches in America.

March 31.—Interest on bank deposits, $15.66, for the quarter is credited by the bank to the treasurer's account.

The treasurer takes a trial balance, closes her books, and then takes a second trial balance, thus proving the correctness of her book-keeping for the quarter.

This series of typical transactions should be handled by the treasurer as follows:

On January 1st she deposits in bank $3162.50, the total amount received. It should be noted that *all* receipts, *without exception,* are to be deposited in bank, and *all* payments, *without exception,* are to be made by check.

On January 1st, also, the treasurer enters the items of the January 1st deposit on the left-hand page of the cash book in the manner indicated in the model cash book on page 11. All items should be entered in the cash book immediately upon their receipt. Only annoyance and perplexity can result from trying to carry financial details "in one's head." For the payments made on January 2nd, the treasurer makes entries on the right-hand page of her cash book (facing the left-hand page, on which the January 1st debit entries were made), as shown in the model on page 12.

After a series of entries like these of January 1st and 2nd have been made, it is well for the treasurer to foot in lead pencil the money columns on both debit and credit pages, making the figures as small and unobtrusive as possible. A comparison of these totals on January 2nd will show an unexpended balance of $2512.50. This balance shown by the cash book should correspond with the balance shown by the stubs of the check book, total deposits $3162.50; total checks issued $650.00; balance $2512.50.

On January 20th the treasurer makes additional entries on the credit side of the cash book (see page 12). On January 31st she has her bank book balanced and finds that the bank credits her with a balance of $2509.50, while her cash book and her check stubs show a balance of $1509.50. She turns at once to her cancelled checks, just returned by the bank, or if the checks have not been returned, to the memorandum made by the bank on the right-hand page of her pass book, and comparing the checks, number for number, with the stubs in her check book, finds that her check for $1000 issued January 20th

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NOTE—Where it is necessary to make many small payments which can be more conveniently made in cash, it is sometimes wise for the treasurer to open in her ledger an account called "Petty Cash." At the beginning, say of a month, she draws to her own order a check (crediting "Cash" and debiting "Petty Cash") for an amount sufficient to cover probable small expenses for the month and, cashing this check, pays from the money so obtained the incidental expenses as they arise. At the end of the month she makes a journal entry, crediting Petty Cash with the full amount expended and charging the various accounts for which expenditure was made with their share of the amount. If the petty cash in the treasurer's hands has all been spent, Petty Cash Account will now exactly balance—debits and credits being equal. If the treasurer has spent less than the amount of petty cash drawn at the beginning of the month, Petty Cash Account will show, by its debit balance, just how much she still holds unused. If she has spent more than the amount drawn, the credit balance of Petty Cash Account will show just how much she may draw to reimburse herself for money spent from her private funds. A typical journal entry to account for the use of Petty Cash will read thus:

Treasurer's Expenses (Debit)		$ 5.72	
For Postage	$4.73		
Stationery	.99		
Building at B (Debit)		10.00	
For architect's services:			
To Petty Cash Account (Credit)			$15.72

for the building at F is not among the checks, and consequently has not yet been presented to the bank for payment. The amount of this check is just the amount of the discrepancy between the bank book balance and the cash book balance, and so the accounts are reconciled and the correctness of the cash book shown. *Each month* the bank book is balanced and the cash book and check stubs reconciled with it. The cancelled checks are arranged acording to their numbers, carefully enveloped in a long envelope, so that they need not be folded, and filed in a safe place for future reference, and to serve as receipts for payments made, in addition to the usual vouchers which the treasurer requires. It is convenient to inscribe the outside of the filing envelope thus:

Cancelled Checks

Nos. 1 to ——

Next	*Out*
37	15
	22

The column *Next* has written in it at each balancing of the bank book the number after that of the last check returned by the bank. The column *Out* has written in it the numbers of all checks which had been issued but not presented to the bank at the time the book was balanced. At the next balancing, usually, all these checks will have been returned, and so their numbers will be scratched off the envelope, but until checks are returned by the bank, their numbers stand on the filing envelope as an aid to the treasurer in reconciling her accounts.

The entries of February 26 are made on the credit or right-hand page of the cash book (see page 12), those of March 25 on the debit or left-hand page (as shown on 11). The treatment in the accounts of such an item as the government grant will be in large measure determined by government requirements. Where the government demands a strict accounting, it will sometimes be necessary to start a new account, separate from the "Building at F" account, which shall show exactly—without confusion with any other items, such as receipts from Branches—the way in which the grant was expended. Of course, logically, all receipts and payments for the building at F should be included in one account, but official requirements sometimes make it necessary to use two accounts.

On March 30 the entry for typhoon repairs is made, as are all credit entries, on the right-hand page of the cash book.

On March 31st the treasurer has her bank book balanced and finds that the bank has credited her with $15.66 interest on deposits for the quarter. Interest on deposits usually is

1913				Ledger Folio				
Jan.	1	Missionaries' Salaries	From Branch A For Misses X & Y	5	300	00		
			From Branch B For Miss Z	5	150	00		
							450	00
	1	Bible Women's Salaries	From Branch A For U	7	12	50		
			From Branch B For V & W	7	25	00		
							37	50
	1	School No. I	For Running Expenses					
			From Branch A..	9	25	00		
			From Branch B..	9	25	00		
							50	00
	1	School No. II	For Running Expenses					
			From Branch A..	11	20	00		
			From Branch B..	11	25	00		
			From Branch C..	11	5	00		
							50	00
	1	Treasurer's Expenses	From Branch A..	12	2	50		
			From Branch C..	12	10	00		
							12	50
	1	Hospital at K	For Running Expenses					
			From Branch B..	17	50	00		
			From Branch C..	17	12	50		
							62	50
	1	Building at F	On Account of Cost of Erection					
			From Branch A..	20	1140	00		
			From Branch B..	20	950	00		
			From Branch C..	20	410	00		
							2500	00
Mar.	25	Hospital at K	Gift of Mr. H	17			50	00
	25	Government grant for building at F	Received from Department of Education for erection of right wing of building	22			3000	00
	31	Treasurer's Expenses	Interest on bank deposits	12			15	66
							6228	16

1913				Ledger Folio				
Jan.	2	Missionaries' Salaries.....	Paid to Miss X.....	5	150	00		
			to Miss Y.....	5	150	00		
			to Miss Z.....	5	150	00		
			for 4th quar., 1912				450	00
	2	Bible Women's Salaries.....	Paid to Miss X for U & V.....	7	25	00		
			Paid to Miss Z for W.....	7	12	50	37	50
			for 4th quar., 1912					
	2	School No. I.....	Paid to Miss X for running expenses 1st quarter, 1913.....	9			50	00
	2	School No. II.....	Paid to Miss Y for running expenses 1st quarter 1913.....	11			50	00
	2	Hospital at K.....	Paid to Miss Z for running expenses 1st quarter, 1913.....	17			62	50
	20	Treasurer's Expenses.....	For postage.....	12			3	00
	20	Building at F.....	Paid to L. M., contractor, on order of building committee at F...				1000	00
Feb.	26	Building at F.....	Paid to L. M., contractor.....	20	1000	00		
			Paid to S. V., Architect	20	200	00		
			(Both payments being made on order of building committee at F.)				1200	00
	26	Treasurer's Expenses.....	Stationery	12	1	25		
			Express charges...	12		75	2	00
Mar.	30	Typhoon Repairs at G.....	To reroof school building injured by storm of Mar. 27, 1913.....				250	00
Mar.	**31**	**BALANCE**.....					**3123**	**16**
		(to be forwarded to page 4 as a debit balance)					6228	16

made a credit to General Expense or some similar account. In this case we will make it an additional credit to "Treasurer's Expenses" in the ledger, of course charging cash thru the cash book with the amount received. It happens that on March 31st all checks issued have been returned by the bank and the bank balance and the cash book balance agree at once as $3123.16.

So much for the treatment of these typical transactions in the cash book. We must now consider how the treasurer should treat these same items in the ledger, for, according to Principle II, for every credit entry in the cash book there must be a corresponding debit entry in the ledger, and for every debit entry in the cash book a corresponding credit entry in the ledger.

Once a week (or at slightly longer intervals, if necessary, though prompt posting is advantageous) the treasurer should post all entries from the cash book into the accounts (or summaries) in the ledger, each item into the account by whose name it is designated in the cash book title column. Thus, at the end of the first quarter, the "Missionaries' Salary Account" will appear as follows:

MISSIONARIES SALARIES ACCOUNT

Debit					*Credit*				
1913					1913				
Jan. 2	Paid to Miss X	C3	150	00	Jan. 1	Branch A.....	C2	300	00
2	Paid to Miss Y	C3	150	00	1	Branch B.....	C2	150	00
2	Paid to Miss Z	C3	150	00					
			450	00				450	00
					1913				
					Apr. 1	Branch A.....	C4	300	00

This account is so arranged as to show at a glance whence and when each item was received and to whom and when each payment was made. The letters C-3 and C-2, as explained before, indicate from which page of the cash book the amounts are posted. At the close of the quarter the debit and credit totals of such an account as salaries will usually balance and the treasurer should "rule up" the account with red ink, as indicated in the illustration, and for the next quarter's receipts and payments make entries below the red lines, as suggested in the illustration for the salary remittance of Branch A, received April 1st. Should there be a balance, however, at the end of the quarter or of the year, the treas-

urer should "bring down the balance" as in the model building account shown below:

BUILDING AT F

Debit					*Credit*				
1913					1913				
Jan. 20	Paid to L M Contractor...	C3	1000	00	Jan. 1	Branch A.....	C2	1140	00
						Branch B.....	C2	950	00
Feb. 26	Paid to L M Contractor...	C3	1000	00		Branch C.....	C2	410	00
	Paid to S V Architect.....	C3	200	00					
Mar. 31	**Balance**.....		**300**	**00**					
			2500	00				2500	00
1913									
Apr. 1	Balance..... Brought Down							300	00

(NOTE: A separate account should be kept for each building.)

The building account above is shown to enter the second quarter with a credit balance of $300, following which later receipts are entered as received and posted from the cash book. Balances in any account, including the cash account, are to be treated in the way above indicated at the end of each financial period, that is, whenever the books are closed.

The ledger accounts should be very valuable to the treasurer, for, if properly kept, they will show at all times the exact condition of all the funds in her care. For example, a $300 credit balance on "Building at F" account shows that of the money received for this building $300 is still in hand and available for use in the second quarter.

A debit balance on "Typhoon Repairs at G" account indicates an overdraft for this special object to the extent of $250, which overdraft will have to be covered by some later appropriation of the Branches at home. Such an overdraft as this has occurred because, it will be remembered, the repairs were an emergency item for which no appropriation had been made at the time the damage was done to the building at G. When the appropriation *is* made, later, and is paid to the treasurer, it must be charged to cash, of course, and credited to Typhoon Repairs account, which account will balance when the full appropriation has been paid, thus cancelling the overdraft. At this point, however, it is im-

portant to impress upon the treasurer the extreme danger of overdrawing or of spending money for objects not authorized. In the case of typhoon repairs, where further serious damage would be sure to result from failure to repair at once, the expenditure was a wise and necessary one. But the instances where such an expenditure for unauthorized objects is permissible are very, very few. *More things can wait for permission from America than we are apt to think.*

In posting, the treasurer should be careful never to put into her ledger items not found in either the cash book or the journal. These are the "books of original entry," and from them alone is the ledger to be made up. Never, if she values the peace of her "financial mind," may the treasurer write up her ledger from memory. Never, if she wishes to save a great deal of valuable time in tracing items from ledger to cash book and from cash book to ledger, will she omit the indexing number and letter in the ledger account which show from what page of the cash book or journal the posting has been made; or the number in the cash book or journal which shows to what page of the ledger the item has been posted.

Every month, if she is wise, but without fail at the end of each quarter, the treasurer will take a trial balance. To understand what a trial balance is, we must once more recall the second fundamental principle of double-entry book-keeping: "For every credit entry there must be a corresponding debit entry, and vice versa." Consequently, the sum of all the credits in all the ledger accounts (and this includes the sum of all credits in the cash book, which is really the cash account) must be exactly equal to the sum of all the debits in these accounts, provided the books have been properly kept. It will thus be seen what a splendid check a double-entry system is on the accuracy of the book-keeping. If cash book agrees with bank and check book, and the ledger is shown to be in balance by the agreement of debits and credits, the treasurer may be reasonably sure that her accounts are correctly kept. The process of summarizing debits and credits to see if they actually do balance is called "taking a trial balance." When the debits and credits do not *exactly* agree, the treasurer may be sure something is wrong. She must not be content until she has located the error, which may be one simply of addition or careless copying, or which may indicate a mistake in book-keeping principle. *No error is too small for notice.* Until it is located, the books will be continually out of balance, and will thus fail to be "a complete and correct statement" of the transactions for which the treasurer is responsible. It is a good plan to copy the trial balances on the last pages of the journal that they may be preserved from month to month and be readily available for reference.

The following is a good form in which to write the trial balance:

TRIAL BALANCE FROM BOOKS OF THE TREASURER OF THE ——— MISSION, AS AT MARCH 31, 1913.

Ledger Folio.		Debits.	Credits.
5	Missionaries' Salaries	$450.00	$450.00
7	Bible Women's Salaries	37.50	37.50
9	School No. I	50.00	50.00
11	School No. II	50.00	50.00
12	Treasurer's Expenses	5.00	28.16
17	Hospital at K	62.50	112.50
20	Building at F	2200.00	2500.00
22	Government Grant for Building at F		3000.00
25	Typhoon Repairs at G	250.00	
	Cash	6228.16	3105.00
		$9333.16	$9333.16

Eliminating from the above all accounts which exactly balance, we have the same trial balance in the following form:

		Debits.	Credits.
12	Treasurer's Expenses		$23.16
17	Hospital at K		50.00
20	Building at F		300.00
22	Government Grant for Building at F		3000.00
25	Typhoon Repairs at G	250.00	
	Cash	3123.16	
		$3373.16	$3373.16

A study of the above trial balance enables us to analyze as follows the cash balance of $3123.16:

Cash on hand for:		
	Building at F	$3300.00
	Treasurer's Expenses	23.16
	Hospital at K	50.00
		$3373.16
Less overdraft for Typhoon Repairs at G		250.00
Cash in Bank		$3123.16

Each time the treasurer takes a trial balance she should thus analyze her cash balance and discover the exact standing of every account.

The second form of trial balance is more convenient for reference and is simpler than the first form, but until the

treasurer thoroughly understands double-entry book-keeping she should use the first form.

After taking the trial balance, the treasurer "closes her books" for the quarter, by ruling up all accounts that balance, as shown in the "Missionaries' Salaries Account," on page 13, and by ruling and then further handling all other accounts as shown in the model building account on page 14. The balance, if any, should be written in red ink, after the word "Balance," on whichever side of the account has the smaller total. Red ink lines should then be drawn under the debit and credit money columns and the totals, which, of course, will now be equal, written in black ink under these lines. The account should then be closed by ruling, as shown on page 14, and the amount of the balance written in black ink below the red lines on the side of the account *opposite* that on which the red ink balance entry was written. The reason for this is obvious. By the two entries, one in red ink and one in black, for equal amounts but on opposite sides of the account, the equality of debits and credits is maintained, the transactions for the quarter are set off by themselves and the balance available for expenditure in the next quarter is clearly shown.

This process of closing should be carried out for all the accounts, including the cash account (as shown on model pages 2 and 3, to be found on pages 11 and 12), and then a new trial balance should be taken to prove the correctness of the closing entries. Taking two trial balances may seem unnecessary, but it is not. The greater the care and the larger the amount of time given to such details as this, the surer is the accuracy of the books. Being accurate is the treasurer's first duty.

The general method of procedure indicated in the preceding pages for the treatment of the transactions of the first quarter should be followed for the succeeding quarters. At the end of the second and fourth quarters (or in some cases only at the end of the fourth quarter) the treasurer should prepare her books for the auditor by arranging vouchers in the order of their dates and presenting them, together with a trial balance, the cancelled checks, the check book, the deposit book, and all the books of account, for the auditor's careful inspection. The wise and skillful treasurer never objects to an auditor's examination.

If at any time during the quarter it should happen that the pages in the cash book have been filled with entries or that a ledger account has reached the bottom of a page, forward to the new pages in the cash book or to new pages in the ledger not *balances*, but debit totals and credit totals, being careful to put debit totals at the top of the new debit page in the cash book or the new debit column in the ledger and credit totals in credit page or credit column. We deal with *balances* only at the end of a financial period.

MAKING THE REPORT

When the treasurer has completed for the first two quarters the book-keeping described in the preceding pages, she is ready to prepare her semi-annual financial reports to the authorities at home. The practice in different societies varies; the method about to be outlined will best meet the needs of the corresponding secretaries of the Branches of the Woman's Foreign Missionary Society of the Methodist Episcopal Church, the officers to whom are sent the foreign treasurers' semi-annual reports.

Using the official report blank (see page 19), enter, on the receipts side, if a surplus, on the disbursements side, if a deficit, the balance brought down from the last semi-annual financial report of the branch whose statement you are preparing. Then enter in the receipts column of the report blank the amounts received from the branch for the financial period. What these amounts were can be best ascertained, in such a system as we have been elaborating, from a study of the debit pages of the cash book for the period. Receipts should be entered on the report under date of receipt. If, however, it should happen that remittances for the following financial period should have been received a day or two previous to the close of the period for which the treasurer is reporting, an explanation should follow the entry of such remittances on the report, noting the fact that this money is not an unexpended balance from the period just closed, but is the money with which the next period's operations are to be carried on. Unless this is done, the large balance reported on account of these extraordinary receipts may mislead the authorities at home into considering the balance as available for new appropriations when really it has been appropriated already. Report the facts as they are, but do not omit the explanations.

Now enter on the disbursements side of the blank all payments made during the period for objects supported by the branch. These may best be obtained from the explanation column of the credit pages of the cash book.

In entering items on the report blank, be sure to classify money items under the proper columns—"current work," "buildings," "extras." In the remarks column make full explanations by stations; for a building report not only name of station but of the particular building concerned. In case of extra or unusual gifts, note object and name of donor in remarks column, amount in money column headed "Extras." The "art of happy guessing" has been pretty well developed in the persons to whom you are reporting, but don't depend upon

WOMAN'S FOREIGN MISSIONARY SOCIETY OF THE METHODIST EPISCOPAL CHURCH

.....CONFERENCE IN ACCOUNT WITH.....BRANCH

FOR THE HALF YEAR ENDING.....191....

.....Treasurer.....Address

RECEIPTS					TOTAL		DISBURSEMENTS						TOTAL	
Date		Current Work	Bldgs.	Extras	U. S. Gold	Native Currency	Date	Station	Object	Current Work	Bldgs.	Extras	U. S. Gold	Native Currency
	Balance							*Deficit*						

it! Make your reports and explanations so clear that they *cannot* be misunderstood.

It may seem to the treasurer of a foreign mission of the Woman's Foreign Missionary Society of the Methodist Episcopal Church that, for purposes of report making at least, it would be better to have a system of book-keeping whereby each Branch's remittances instead of being credited, as we have credited them, to Building Account, Salaries Account, etc., should be credited to an account called by the name of the Branch, and that all disbursements for objects supported by the Branch should be charged to such an account. Such a procedure would undoubtedly render much simpler the work of report-making, but it would so seriously confuse and hamper the every-day work of the treasurer that it has seemed wiser to develop the other system as a model and to leave the treasurer to an analysis of her cash book as a basis for her semi-annual reports.

Frequent reference to the printed appropriations of each Branch and to the various accounts in the ledger will greatly assist the treasurer both in making out her reports and in checking their accuracy. A further check is afforded by the cash book totals for the period in the following manner: After making out all the reports for the period, the treasurer should ascertain the total receipts from all branches for the period as indicated by totaling the receipts shown by all the reports. In like manner she should ascertain the total disbursements for the period as shown by the reports. She should then compare these totals with the debit and credit totals respectively in her cash book. They should be found to differ in the case of receipts by just exactly the total of amounts not received from Branches; in the case of disbursements by just exactly the total of disbursements made from sources other than receipts from Branches or by overdrafts, such as the "Typhoon Repairs" item in our model system. To illustrate: In the system we have been using, the total receipts from Branches as shown by the three reports to be sent, one to the secretary of Branch A, one to Branch B, one to Branch C, should, if the reports have been correctly made out, be $3162.50. The difference between this amount and the total cash receipts for the period, as shown by page 2 of the cash book, is $3065.66. How shall we reconcile this difference? A study of the cash book (page 2) shows that outside receipts were just exactly this amount, $3000 having been received from the Government, $50 from Mr. H for Hospital at K, $15.66 for bank interest. Total disbursements for Branches should, as shown by the reports, equal $2855, which, by reference to cash book page 3, will be seen to be the total disbursements less $250 spent for Typhoon Repairs, which constituted an overdraft on Branch remittances.

When receipts and disbursements have been properly entered in the report blanks, the treasurer is ready to enter her balances or deficits for the period just closing. These should be entered on the report, *both in native currency and U. S. gold,* and should then be itemized carefully in a footnote, which shall show why the balance or deficit exists. Surpluses should, of course, be entered on the report blank on the disbursements side, and should preferably be written in red ink, to call attention to them. Deficits should be entered on the receipts side of the blank, also in red ink. The reports should then be ruled up and footed. The footings on receipts and on disbursements sides must be equal.

It is a good plan for the treasurer to keep full copies of the reports sent to the authorities at home, for they will almost certainly be needed for future reference. It will be a great convenience to have the reports of the last period readily available when new ones are being made out.

NOTE: In case the treasurer prefers it, she may keep a sort of supplementary ledger, a mere memorandum, not a part of the double-entry system, in which accounts may be kept with each Branch. Entries should be made as usual in the books of account above described, but in addition, when a Branch remittance is received it may be entered in totals in the Branch account in the memorandum ledger. In like manner, disbursements for a branch may be charged, as made, to the Branch account. The difference between debits and credits on this memorandum account will at all times show the debit or credit balance of the Branch. In small missions the keeping of this supplemental ledger is quite unnecessary. In larger ones, while in no way essential, it may be found valuable, since it will avoid much of the cash book analysis called for in the system of reporting outlined in the body of this manual.